

APPENDIX A

Molly Corbett Broad
President's Report to the Board of Governors
UNC General Administration Building Board Room
August 9, 2002
10:30 a.m.

Thank you, Mr. Chairman.

As is our custom, I begin by introducing the chief executive officers of our campuses and affiliated organizations. But deviating from the usual order, I must first acknowledge that since your last meeting, two veteran chancellors have announced their plans to step down within the coming year—Jim Leutze of UNC Wilmington, and Willis McLeod of Fayetteville State University.

Chancellor Leutze has led UNCW for the past 12 years, and the campus and region have benefited greatly from his commitment and dedication. Under his watch, the quality and stature of UNCW's academic programs have improved markedly during a time of rapid growth. Throughout his tenure, he has worked to strengthen ties with the local community, expanded the reach of the UNCW's public service activities, and lent his support to regional economic development efforts.

Chancellor McLeod has been at the helm of FSU, his alma mater, since 1995. During this period, the campus has experienced encouraging growth in enrollment and student retention, academic programs, and sponsored research activity. He too has placed a high priority on strengthening the bonds between the campus and the surrounding community and on nurturing economic development.

Both of these gentlemen have left an indelible mark on their institutions and the entire University of North Carolina. While campus-based searches for their successors will soon get underway, their work is not yet done and we all look forward to working closely with Chancellor Leutze and Chancellor McLeod during the remaining months of their tenure.

I'd like to acknowledge this morning recent accolades that have accrued to the UNC Health Care System. I'm pleased to report that the 13th annual edition of "America's Best Hospitals" compiled by *U.S. News & World Report* ranked UNC Hospitals in the top 25 in six different medical specialties.

In addition, we learned this week that an important multi-state initiative spearheaded the University of North Carolina has received a \$4-million special appropriation in the Office of Naval Research budget. The award for the SouthEast Atlantic Coastal Ocean Observing System (SEA-COOS) will lay the groundwork and help initiate an integrated

coastal observing and monitoring system for North Carolina, South Carolina, Georgia, and Florida. Vice President Russ Lea is the project coordinator for this important initiative, and UNC-Chapel Hill is the lead institution in an effort that also involves the University of South Florida, the University System of Georgia, the University of South Florida, and various state and federal agencies. I would like to thank Associate Vice President Bob Samors, our federal relations representative in Washington, for his help in guiding this proposal through to fruition. It has great long-term economic and ecological implications for North Carolina.

Status of the University Budget

Turning to budget-related matters, much of our time and energy this week has been focused on Raleigh as the House Appropriations Committee has wrestled with crafting its version of the budget. North Carolina is now one of only three states—the others are California and Kentucky—that have yet to adopt a final state budget for 2002-03. To put the scope of the current deliberations in perspective, let me observe that over the past three days, the House Appropriations Committee has considered and debated no less than 100 budget amendments. I would like to commend Vice President J.B. Milliken, Mark Fleming, Vice President Jeff Davies, our chancellors, and the members of this board for your hard work and long hours in support of the University's budget.

As was discussed this morning in the Public Affairs Committee, the Appropriations Committee yesterday adopted a budget proposal that will be introduced on the House floor on Monday. We are most grateful that—like Governor Easley and the Senate—the House Appropriations Committee has attempted in its recommendations to fully fund University enrollment growth, limit cuts to the University's operating budgets, and provide full flexibility to determine how best to carry out required reductions. The Committee proposal calls for base operating reductions of about \$67 million for the University, only slightly higher than the Senate budget. This is a remarkably positive development, and it reflects the collective advocacy and support of this board, the campuses, and the many friends of the University.

One troubling difference between the Senate and draft House proposals is that the House would fund the University's payroll at only 98%. The other sectors of education—the public schools and community colleges—would be fully funded. This payroll withholding equates to an additional \$33.5-million reduction in the University's budget, one that would further exacerbate the challenges we face in employee recruitment and retention.

As noted earlier, the House Appropriations Committee considered scores of amendments, many of which directly related to the University's budget. Let me mention just a few of them:

- One amendment adopted by the Committee would reduce by \$5.2 million our funding for graduate students who serve as teaching or research assistants. This would severely hamper our campuses' efforts to attract the very best graduate students in an array of academic disciplines.

- The Committee also adopted an amendment that would require the Board of Governors to establish a fully accredited school of engineering at East Carolina University, along with specified engineering degree programs at UNC Asheville and Western Carolina University. This provision prompted considerable discussion in yesterday's Planning Committee meeting. As was the consensus of commentary around the committee table, this sort of legislative mandate is not the means by which great universities are built. To the contrary, it's the way by which they are diminished. I believe Chairman Wilson plans to speak further to this issue in his remarks.
- The Committee also considered but ultimately rejected an amendment that would have seized \$112 million—virtually all—of the University's overhead receipts earned through research activity as a means of offsetting funds withheld from county and city governments under Governor Easley's emergency powers. Both Chancellor Marye Anne Fox and I were given the opportunity to speak to this issue during Committee deliberations, and we were extraordinarily gratified and heartened at the strong, vocal, bipartisan support the University received during this lengthy debate. This amendment was soundly defeated by a wide margin, and I hope that each of you will take every opportunity to thank House members for their support. As you are well aware, the loss of these funds would have been nothing short of devastating to our research enterprise.

The budget process is still far from over, and we undoubtedly will face new challenges in the days and weeks ahead. This is not the time to lessen our resolve. We will continue to work closely with the legislative leadership and staff as the budget moves toward conference committee, and we will keep you informed of new developments.

Committee on the Future of Information Technology Begins Work

You will recall that at our last meeting, Chairman Wilson established a special task force to examine the both the near-term and future requirements and strategies for the use of information technology within the University. That committee held its initial meeting yesterday, and concluded that as its first order of business, it will focus on current and future requirements for networking, mass data storage, and high-performance computing. The committee plans to assess how these requirements align with the new business plan being developed by MCNC.

Mr. Chairman, this concludes my report.